



Leadership is our business

Associated Industries of Massachusetts

222 Berkeley Street | P.O. Box 763
Boston, MA 02117-0763

www.aimnet.org | 617.262.1180 | fx 617.536.6785

Division of Health Care Finance & Policy - Health Care Cost Trends Hearing Tuesday, June 28, 2011

Consumers' Role in Cost Containment

Background

In early 2011, Associated Industries of Massachusetts launched its largest issue campaign in two decades in a bid to end the crisis of spiraling health insurance rates for employers and citizens.

The Employers' Campaign for Affordable Health will ensure that lawmakers, employers, doctors, hospitals and insurers seize what may be their best opportunity to restructure the financial underpinnings of the commonwealth's health care system. The initiative will include lobbying, grass-roots organizing and public information, along with educational programs designed to prepare employers for the decisions they will have to make as part of the process of controlling their health premiums.



The theme of the initiative is “Be Part of the Change.”

The campaign marks the largest single project undertaken by AIM and its thousands of member employers since the organization led the reform of the workers compensation system in 1991. The close parallels between the workers compensation reform and the current health insurance crisis provide hope that the same business/government coalition that worked together to lower workers comp rates by 60 percent at the start of the Weld administration can do the same with health care at the dawn of the second Patrick administration.

Massachusetts' employers have watched with growing frustration during the past two decades as health care expenditures have outrun wages, consumer prices and per-capita Gross Domestic Product. Total health spending in a commonwealth widely acknowledged as being a world center of medical care rose from \$20 billion in 1991 to approximately \$68 billion last year. That number is projected to double to \$123 billion by 2020 without intervention to control costs.

The Massachusetts Division of Health Care Finance and Policy estimates that health care in Massachusetts will cost \$16,000 per citizen per year by 2018, 23 percent more than the national average. Meanwhile, the Massachusetts economy lost a net 92,000 jobs during the past decade as total non-farm payrolls dropped from 3.285 million in 2001 to 3.193 million in December of 2010.

Beneath the numbers are wrenching stories of employers whose commitment to do the right thing and provide health insurance for workers now ironically threatens the long-term financial stability of their companies and their ability to provide jobs.

Education is Key

A central component of AIM's campaign is an aggressive effort to educate employers, our members, so that they can in turn educate their employees and together become better health care consumers and purchasers.

And this education effort makes perfect sense: according to data from the Division of Health Care Finance and Policy, employer-sponsored insurance (ESI) remained the most common type of coverage in Massachusetts, covering nearly two-thirds (65.1%) of residents in 2010. More than three-quarters of employers (76%) offer health insurance coverage, per the Division of Health Care Finance and Policy's 2009 Massachusetts Employer Survey.¹

So, if we are going to transform the Massachusetts health care cost situation, success depends on employer and employee engagement as well as a change in purchasing behavior. Educated consumers are the key to redirecting market forces to produce downward – not upward – pressure on costs.

What is the Message?

The substance of what we need to inform our employers and employees about has been well documented. As recently as last Wednesday, the Attorney General released a second report based on 2009 data detailing the market realities that drive costs here in the Commonwealth. Most notably, three of the findings in the AG's report have a direct bearing on our education efforts: 1) there is wide variation in the payments made by health insurers to providers that is not adequately explained by differences in quality of care; 2) tiered and limited network products have increased consumer engagement in value-based purchasing decisions; and 3) health care provider organizations designed around primary care can coordinate care effectively.²

What are the lessons for Massachusetts employers struggling to manage health care premium increases of up to 40 percent annually?

1. Consider purchasing a health insurance product that offers tiered networks that rank doctors and hospitals based on cost and quality.
2. Purchase a product that requires your employees to use a primary care physician.

The central message to employers and to employees is this: **the more affordable medical care provided by tiered networks does not equal bad medical care.** The attorney general's finding that

¹ Health Insurance Coverage in Massachusetts: Results from the 2008-2010 Massachusetts Health Insurance Surveys - December 2010

² http://www.mass.gov/Cago/docs/healthcare/2011_HCCTD.pdf

the quality of health care has nothing to do with the sticker price may shock a commonwealth filled with world-renowned medical institutions, but it should be a wake-up call for employers.

Education Methods and AIM's Plans

AIM kicked off its Employers' Campaign for Affordable Health with a "Legacy of Leadership" panel discussion on health care costs at our 96th annual meeting in May. The participants, experts with diverse perspectives, agreed that doctors, hospitals and insurers in Massachusetts are moving aggressively to change the financial model of health care in a way that will reduce expenditures; and that the ultimate success of those changes will depend upon the ability of employers and citizens to evaluate the cost and quality of their health care in the way they do for cars and other purchases.

As compared to the workers compensation 20 years ago, we are bringing greatly expanded communications capabilities to bear on the current effort. We are using text blogs, and also video blogs. We have added a campaign-related resource to our Web site – [The Dose](#), providing news, information and best practices for employers concerned about health and health insurance. We are also able to offer webinars that enable us to reach out interactively to employers across the Commonwealth.

Traditional, physical seminars continue to have real value, not least in bringing employers together. AIM had great success, and provided an essential service, by conducting regional seminars across Massachusetts to educate employers about the first phase of state health care reform. We plan to offer similar series this fall as employers begin to plan for their own health plan renewal process. As part of this effort, we will be drawing upon expertise from multiple perspectives to give our members a rounded view of the issues and opportunities before them. We are very pleased to be able to call on support from health plans and from health care providers whose quality outcomes are high and whose costs are moderate, as well as from government agencies.

The Employers' Campaign for Affordable Health goes beyond this employer education component. As our members' number-one issue by far, health care cost containment is naturally the focus of our lobbying and public affairs program. We will be sponsoring or participating in a range of public events, and developing or distributing collateral materials of various kinds. Our insurance affiliate, already active in the small-group market, is considering a product for the next tier of employers.

We believe, however, that employer education is a core mission and responsibility for AIM, and opportunity for us to make a unique and vital contribution to the effort we all undertake together.